No. 11769

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

ARTHUR E. H. BARILI,

Plaintiff-Appellant,

vs.

ACHILLE BIANCHI and MARLO PACKING CORPORATION,

Defendants-Appellees.

PETITION FOR REHEARING.

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TABLE OF AUTHORITIES CITED

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To the Honorable, the Judges of the United States Circuit Court of Appeals for the Ninth Circuit:

Comes now the appellant and petitions this Honorable Court for a rehearing of the question of damages in this case upon the grounds hereinafter set forth.

Appellant conscientiously believes that this Honorable Court, in its opinion filed June 15, 1948, affirming the judgment of the lower court in its entirety, labored under misapprehension of the patent law governing the long-established practice of assessing damages in suits in *equity* for infringement of letters patent for inventions. Such misapprehension was evidently due to an oversight of the fundamental difference between the practice in actions at law and the practice in actions in equity in assessing damages in patent infringement cases, and to the fact that appellant's counsel failed to present more clearly and adequately the equity practice in assessing damages in such cases.

Appellant, however, feeling aggrieved at the opinion of this Honorable Court, respectfully, but forcefully, urges that a rehearing of the question of damages in this case be granted upon the following grounds:

I.

The Court Erred in Not Reversing the Lower Court for Failing, First, to Enter an Interlocutory Judgment in Favor of the Plaintiff-Appellant, Holding the Patent in Suit Valid and Infringed, and Referring the Case to a Master to Take and State an Account of Damages Before Entering a Final Judgment, in Accordance With the Long-Established Equity Practice and the Act of August 1, 1946, Public Law No. 587, 79th Congress, Sec. 4921, R. S. (U. S. C., Title 35, Sec. 70).

The entry of the *final* judgment of the lower court, adjudging that plaintiff shall recover no damages from the defendants by reason of their infringement of the patent in suit, without first conducting an *interlocutory hearing* and entering an *interlocutory judgment* adjudging the patent valid and infringed, and ordering an assessment of damages, in accordance with the established equity practice and said Sec. 4921, R. S., was a gross error of the lower court and a grave injustice to the plaintiff-appellant. The question of damages, involving the six-year statute of limitations, is not an issue at the *trial* of the case, in a suit in *equity* for infringement of letters patent for an invention. The whole question of damages becomes an issue, only, after the interlocutory hearing.

> *"until after the interlocutory hearing, the complainant need introduce no evidence relevant to profits or to damages* (Underwood Co. v. Elliott-Fisher Co., 171 Fed. 116).

"When the complainant has some evidence tending to show the character of the defendant's doings, and that those doings infringe the complainant's patent, a court of *equity* has power to order the defendant to allow the complainant, or some expert or other person representing him, to inspect the defendant's doings for fuller accuracy of knowledge."

Walker on Patents (Deller's Ed.), Vol. III, Sec. 610, p. 1911.

"An interlocutory hearing by a judge, in a patent action in equity, is one which occurs after the evidence relevant to the validity of the patent and its infringement by the defendant has been taken, and before the case is referred to a master to take and state an account of profits and damages. The *final* hearing, which occurs after the master has taken that account and filed his report, generally involves nothing but the correctness of that report. * * * The interlocutory hearing is generally the pivotal point of a litigation. Where it results in the success of the defendant and consequent dismissal of the bill, it becomes a final hearing. If the court enters an interlocutory decree it can at any time before final decree modify or rescind it and a rehearing may be sought at any time before the final decree is entered provided due diligence be employed and a revision be otherwise consonant with equity."

Walker on Patents, Sixth Ed., Sec. 669, p. 745, and Deller's Ed., Sec. 607, pp. 1903-1904;

Walker on Patents (Deller's Ed.), Vol. III, Sec. 617, p. 1919.

The case of *Garretson v. Clark,* 111 U. S. 120, cited in the opinion of the lower court, followed the correct traditional equity practice in trying only the issues of validity and infringement of the patent in suit, and, in its *interlocutory* decree, referring the matter of an accounting of damages to a master, who reported that the plaintiffs had suffered no damages. The court sustained the master's report and in its final decree *allowed the plaintiffs nominal damages.*

This Honorable Court misinterpreted the case of *O'Cedar Corporation v. F. W. Woolworth Co.* (C. C. A. 7), 73 F. (2d) 366. In said case the court, in stating that it is better practice to try the issues determinative of liability, and refer matters of accounting to the master, did not hold and did not mean that the *court* should rule on the question of whether any particular infringement was within six years prior to the filing of the suit, because such question is for an *accounting.* The court in said case, in referring to issues which determine liability, referred only to the issues of validity and infringement of the trademark in suit, which issues do not include the question of whether any infringement was committed within six years prior to filing suit. To determine liability in a suit in equity for patent infringement it is only necessary for the court to determine that only *one* infringing machine was made, used or sold by the defendant, at any time between the date of the patent in suit and the date of the trial. Such a determination by the court entitles the plaintiff to an injunction and to damages. Upon determination, at an interlocutory hearing, of one infringement at any time between the date of the patent and the trial, the court should enter an interlocutory judgment holding the patent in suit valid and infringed, and ordering an assessment of

damages, either by the court or by a master, according to Sec. 4921, R. S., as amended August 1, 1946.

At the trial counsel for the defendant objected to evidence of infringement more than six years prior to the filing of the suit, on the grounds that the six-year limitation (Sec. 4921, R. S.) was a bar to the action, but his objection was overruled [Tr. p. 63]. Sec. 4921, R. S., is not a statute of limitation, either at law or in equity, because said statute is not a bar to an action for patent infringement, but only limits recovery of *actual* damages to infringements committed within six years prior to the filing of the action. An *action at law* for damages for patent infringement may be brought under Sec. 4919, R. S., and a judgment rendered for *nominal* damages if no *actual* damages are proved. *Some damages* must be awarded to support a judgment for patent infringement, and it was gross error of the lower court in awarding *no damages* whatever to the plaintiff-appellant.

> "Some damages must be awarded to determine the right."
>
> 25 Corpus Juris Secundum, p. 458.

> "Although the thought of *compensation* is fundamental in the conception of damages, the term includes *nominal* damages, exemplary or vindictive. and double or treble damages."
>
> 8 Cal. Jur., Sec. 1, p. 731.

See also:

> 8 Cal. Jur., Secs. 5 and 6 (p. 736).

The testimony *at the trial,* as to whether any particular infringement was committed within six years prior to filing suit, is of no probative value in determining damages in this suit in *equity* for patent infringement, because in such suits the plaintiff does not have to prove a single fact relevant to damages other than *infringement* at any time during the term of the patent, which *infringement by itself establishes liability for damages,* the *amount* of which being left for determination upon further proceedings. such as an accounting by a master, at which proceeding the plaintiff is entitled to be present and to prove *additional* infringements to those proved at the trial. The lower court, *without an accounting,* in rendering a *final* judgment denying damages merely upon such infringement as plaintiff was able to present at the trial, upon the unjustifiably short notice of trial given to plaintiff by the court, deprived the plaintiff of his right to prove additional infringements and substantial damages, in accordance with time-honored equity practice in patent infringement suits. The lower court tried this case as an action at *law,* in so far as damages were concerned, which have to be proved at the trial of such cases, and not as an action in *equity* requiring an accounting of damages; and this is an action in *equity.* The judgment of the lower court, denying the plaintiff damages on the evidence produced at the trial, is accordingly grossly irregular, and flies in the face of over a century of *equity* practice concerning damages in patent litigation.

The case of *Peters v. Hanger* (C. C. A. 4), 134 Fed. 586, 590, was an *action at law* and applies to this action in *equity* only in its ruling that the burden of proving that an infringement of a patent occurred more than six years prior to filing the action, rests upon the *defendant*. Said case does not support the lower court's irregular judgment in denying the plaintiff an accounting of damages and denying the plaintiff damages merely on the *conflicting oral* evidence at the *trial* concerning the *time* of infringement of only *one* machine. It is still urged, in view of the *conflicting oral* evidence regarding infringement, within the statutory period, by the defendants' machine, introduced in evidence at the *trial,* that the defendants failed to carry the burden of proving that infringement by said machine occurred more than six years prior to filing of this suit; and the finding of fact (4) of the lower court that the plaintiff produced no evidence of damage at the *trial* was contrary to the *weight* of the evidence and should be reversed by this Honorable Court. The fact that the defendants failed to produce any records or other *documentary* evidence to prove that their infringement occurred more than six years before filing this suit, should be taken most strongly against them, because they should be in possession of such evidence, while it was not possible for the plaintiff to produce the defendants' records or documentary evidence by motion under Rule 34, F. R. C. P., or otherwise, when plaintiff was taken by surprise by the short notice of trial given by the court, of less than a day.

II.

Affirmation by This Honorable Court of That Part of the Judgment of the Lower Court Denying the Plaintiff Damages, Will Abolish the Interlocutory Hearing, the Interlocutory Decree Ordering an Accounting of Damages, and the Accounting of Damages, in Patent Infringement Suits in Equity; Will Require the Plaintiff in Such Suits to Prove His Damages at the Trial, as in Actions at Law; and Will Deprive the Plaintiff of an Adequate Remedy in Equity, in Proving Damages for Infringement of His Patent; All Contrary to Over a Century of Federal Equity Practice, and Contrary to the Existing Equity Practice of All Other Circuits of the National Federal Judicature, and Contrary to the Act of August 1, 1946, Public Law No. 587, 79th Congress, Sec. 4921, R. S. (U. S. C., Title 35, Sec. 70).

No authority has been cited requiring the plaintiff to prove his damages at the *trial* of a suit in *equity* for patent infringement, and the Act of August 1, 1946, Public Law No. 587, 79th Congress, Sec. 4921, R. S. (U. S. C., Title 35, Sec. 70) contains no such requirement. Said act, in amending Sec. 4921, R. S., made no change in said section other than to abolish profits and limit recovery to general damages for patent infringement, and to authorize the court in its discretion to award reasonable attorney's fees to the prevailing party in patent infringement suits in equity. The equity practice in determining damages on an *accounting,* in suits in equity for patent infringement, which has existed in the Federal courts since the inception of the American patent system, and

which still exists in all Federal Circuits, except possibly this Circuit, in view of the present decision of this case, has not been abolished by *statute;* and for this Honorable Court to abolish said practice in this Circuit, in the face of its rich and honored tradition, by affirming the lower court's erroneous denial of damages to the plaintiff-appellant, would be revolutionary to say the least.

The reason why suits for patent infringement are brought in equity is because a patent owner has no adequate remedy at law, not only because an injunction can be granted only by a court of equity, but also because proof of damages at the *trial* of an action at law is too cumbersome and requires too much time. Some patent accountings require months of testimony before a master, whose time is nothing like as valuable as that a Federal Judge. Actions at law are seldom brought, except when the patent has expired and equity has lost jurisdiction, and when a jury trial is desirable in a suit for infringement of a design patent. If accountings are abolished and a plaintiff is required to prove *all* of his damages at the *trial,* the plaintiff will have no adequate remedy in *equity* for proving damages in a suit in equity for patent infringement. If accountings before a master are abolished and patent owners are required to prove their damages at the *trial* of a suit in equity for patent infringement, the Federal courts will be somewhat cluttered up with assessments of damages in patent infringement suits, as said courts, on a larger scale in the days of prohibition, were all cluttered up with liquor cases and cases of liquor.

Conclusion.

In conclusion it is submitted that a rehearing of the question of damages in the present case should be granted to the appellant, Arthur E. H. Barili, to the end that the practice of assessing damages be correctly determined as to said appellant, and as to patent litigants generally in this Circuit, in accordance with equity practice under Act of August 1, 1946. Public Law No. 587, 79th Congress, Sec. 4921, R. S. (U. S. C., Title 35, Sec. 70).

Respectfully submitted,

ALAN FRANKLIN,
Attorney for Appellant, Arthur E. H. Barili.

Certificate of Counsel.

I hereby certify that I am one of the counsel for the appellant and petitioner, and in my judgment the foregoing petition for rehearing is well founded and is not interposed for delay.

ALAN FRANKLIN.